Fast-Start Finance Dialogue  
June 5, 2010 – Bonn, Germany  

- Meeting Summary -

Hosts/Moderators: Herman Sips (the Netherlands), Alicia Montalvo (Spain), and Ned Helme (CCAP)

➢ Introduction

This second session of the Fast-Start Finance (FSF) Dialogue began with the moderators emphasizing the need for pragmatism, transparency, and quick disbursement of fast-start funds. They highlighted that a “coalition of the willing” is needed to get FSF underway and make it transparent. They posed the challenges of improving matching between programs and funding as well as harvesting the best lessons on NAMAs, finance, and MRV. Christiana Figueres suggested that delivering on FSF is an important key to unlocking the next COP in Cancun and outlined five critical elements for FSF: 1) certainty about basic sources of funding for 2010-2011, 2) clarity and transparency on mechanisms used, 3) concrete examples already underway in supported mitigation and adaptation actions, 4) coordinated regional distribution and a balance between mitigation and adaptation, and 5) making FSF a constructive learning opportunity or practice ground for extracting lessons for long-term finance. Finally, Amb. Luis Alfonso de Alba (Mexico) reiterated the importance of countries perceiving that FSF efforts are advancing in order to have success in Cancun and offered to help in any way. He stressed a need for an information hub and a focus on least-developed countries.

➢ Country Examples: South Africa, Colombia, and Germany

South Africa explained its feed-in tariff (FiT) as a way to overcome the hurdle of relatively high costs of renewable energy versus coal-generated energy through international finance that is phased out over time. South Africa explained efforts they are undertaking with Germany on public finance and unlocking private finance. The goals of the FiT are to integrate global and national financing mechanisms and expand the scale of renewable energy.

Colombia suggested that progress on NAMAs is not going as well as some would think, noting that they and much of Latin America and Africa do not yet have a comprehensive package of NAMAs (progress on NAPAs is even worse). Three reasons for this are limited human resources in developing countries, the difficulty in getting NAMAs off the ground, and the fact that many countries chose to develop REDD plans over low-carbon
development strategies (LCDSs), having seen more possibility of receiving funding for the former. Despite these setbacks, Colombia has designed with their own funding a plan for doing an LCDS, including marginal abatement cost curves, feasibility studies, and a readiness phase to prepare for NAMAs in two sectors. The country expects pilot NAMAs to be ready by the end of the FSF period in 2012, but sees more financial potential in the CDM due to its flexibility in not requiring entire sectors to be involved.

Germany launched in 2008 its International Climate Initiative (ICI), which provides funding (€354 million as of March 2010) from auction revenues to support NAMAs, transparency, reporting, monitoring, and evaluation. In its presentation, Germany suggested that FSF could serve as an important basis for developing approaches to MRV of support and actions. Under the ICI, countries comprehensively report on their impact on emissions and projects are reported and described on the ICI website. Germany offered to share information about their website for use in a FSF web-based information hub, some variation of which they asserted would be desirable and doable. Germany also announced that the ICI strives for replicable projects, innovation with local buy-in, and an open selection process that stresses mitigation level, sustainable impact, etc. While they did not have examples to report on NAMAs, they called for emissions to be compared to a no-action baseline (very specific for energy projects) and asserted that the level of ambition of actions is critical so that impacts are transformational.

Transparency

CCAP began this portion of the dialogue by listing key elements that would be helpful in communicating FSF plans and making information more available either online or in another format. Initial elements could include: 1) amount of funding, both bilateral and multilateral, 2) eligible activities, 3) eligible recipients, 4) types of finance (loans, grants, loan guarantees, etc.), and 5) a contact person for each country. While participants felt this list should be flexible, one suggestion was to add to this list how much funding is unallocated or uncommitted.

Participants stressed the need for two-way transparency between donor and recipient countries, perhaps modeled on the Paris/Oslo Process for REDD, and a reporting system for FSF that involves developing countries. Some expressed support for carrying out a survey similar to that done on REDD by France and other countries for the Oslo Conference. The Netherlands also offered to facilitate an informal reporting system in the early stages. Some asserted there is a risk of building up expectations for something we cannot deliver on or that efforts may face criticism. One participant suggested that the preliminary reporting system should therefore employ indicators that anticipate expected critiques. One country also pointed out that all funding decisions have not yet been made and that countries should take into account Copenhagen Accord agreements.

Other suggestions for transparent reporting during the FSF phase included using an alternate system instead of the OECD and adding fund governance arrangements like
those in the climatefundsupdate.org website, though it would be time-intensive. Useful recommended criteria for reporting included: appeal, legitimacy, and speed (delivering before Cancun). Major takeaways from this part of the discussion were that countries had a strong interest in working together in creating a hub of FSF information and that CCAP and the Netherlands would form a working group of interested parties to begin work on this before August.

➢ Matching

With the exception of one country, participants reached broad consensus that creating a mechanism to facilitate matching of developing-country actions with developed-country funding would be useful. They felt it would be beneficial to have this information in a central place and developing-country participants mentioned the benefits of reduced transaction costs in bilateral funding arrangements that would result. One consideration that arose was whether there is enough flexible money to make matching efforts worthwhile, but at least one participant felt there is a need for matching even if funds are not entirely flexible. Matching would be especially useful in informing long-term finance on a voluntary basis – even if most funding is multilateral – and in strengthening the capacity of countries to come forward with plans.

Several participants expressed confusion over what matching would actually entail and where it would occur, but a clear idea of donors’ funding priorities and program objectives was seen as useful. This could be more helpful than only stating formal eligibility criteria. Some participants felt that coordination of matching by international organizations would not be useful, as they would be affected by self-interest. On the recipient side, participants discussed whether it would be most logical to use Project Idea Notes (PINs) as in the CDM, Readiness Preparation Proposals (RPPs) as in REDD, or some other proposal profile to communicate potential developing-country actions to donors. Some felt that PINs were too project-specific or oversimplified to be useful and that REDD-type RPPs could be more credible because they are broader, are more program/policy-based, and have been vetted by other groups. However, one participant was skeptical of RPPs due to the large effort involved in gathering information and developing the RPPs, which may require outside help, and the fact that such a system does not exist for NAMAs at present.

Regardless, there was agreement that a matching mechanism would be useful in articulating demand for funding and facilitating proactive and effective matching of funds with developing-country actions – despite the limited budget flexibility in many countries. While the majority of participants favored a website matching mechanism, one participant felt a website was not enough. Other points made in this session were that focal points in countries could be responsible for disseminating information (like GEF); that personal contacts in donor countries are important for small recipient countries; that a broader spectrum of information within the matching mechanism would be useful; and that matching should be country-driven and collaborative and consider national priorities.
Harvesting Lessons

In this session, participants were asked to brainstorm ideas for harvesting FSF lessons and success stories with respect to NAMAs, reporting, and financing plans by writing ideas on index cards and through round-table discussion. The majority of suggestions were centered on the following ideas:

- Harvest best practices from all projects, not just fast-start projects
- Post ideas on a website or database (like a registry), or issue periodic reports of what is working (possibly with summary statistics of the fast start)
- Promote international financial institutions’ support of countries that are weaker players to help build their capacity
- Encourage transparency, results-oriented planning, and reporting of outcomes
- Make reported information voluntary and publicly available
- Organize regional/expert workshops or “best practices” days
- Have developing countries do self-assessments
- Enable South-South learning and regional cooperation/learning
- Encourage independent and targeted evaluation of projects/programs
- Create competition between projects with funding prizes given to the most ambitious NAMAs
- Survey NGOs, reporters, industry associations, and other stakeholders
- Showcase ideas at UNFCCC negotiations
- Build on matching lessons from 20 years of development finance

Next Steps

At the end of the session, one participant brought up an important consideration: whether FSF is simply the next item on countries’ traditional development agendas that will be carried out in a BAU scenario, or the transformational key to unlocking the politics of a global climate deal. He highlighted the significance of systematizing a deal that is qualitatively different than anything before it, noting that the Amazon Fund was a completely new way of going about things that would not have happened in BAU mode and that changed the direction of the whole system. Holding further discussions on how to mainstream NAMAs in traditional development assistance programs while still creating programs that can finance large transformational actions like the proposed South African FiT was recommended.

CCAP and the Netherlands agreed to form a working group of parties interested in helping form an online information hub and matching tool. Several countries expressed interest in helping with this process. CCAP and also volunteered to move forward with work on the harvesting of lessons and best practices. The next meeting of this dialogue series has been tentatively scheduled for Wednesday, August 4 during the next UNFCCC negotiating session.